

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

ALLSTATE INSURANCE COMPANY, as  
successor in interest to NORTHBROOK EXCESS  
AND SURPLUS INSURANCE COMPANY f/k/a  
NORTHBROOK INSURANCE COMPANY,

Plaintiff,

v.

TRANSATLANTIC REINSURANCE COMPANY,

Defendant.

FILED: JULY 23, 2008  
08CV4173  
JUDGE DOW  
MAGISTRATE JUDGE VALDEZ  
TG

Case no. \_\_\_\_\_

Judge \_\_\_\_\_

**NOTICE OF REMOVAL**

Defendant Transatlantic Reinsurance Company (“Transatlantic”) respectfully submits this Notice of Removal pursuant to 28 U.S.C. § 1441 *et seq.* This Court has original jurisdiction over this action on the basis of diversity of citizenship pursuant to 28 U.S.C. § 1332.

1. On June 23, 2008, Plaintiff Allstate Insurance Company (“Allstate”) commenced this action by filing a complaint in the Circuit Court of Cook County, Illinois, Chancery Division, styled *Allstate Insurance Company as successor in interest to Northbrook Excess and Surplus Insurance Company f/k/a Northbrook Insurance Company versus Transatlantic Reinsurance Company*, Case No. 08 CH 20186 (the “Complaint”). A copy of the Complaint and Summons is attached as Exhibit A.

2. Allstate purported to effect service of the Complaint upon Transatlantic by service upon Michael T. McRaith, Director of Insurance, made, on information and belief, on June 23, 2008.

3. Transatlantic first received a copy of the Complaint as provided by Michael T. McRaith, Director of Insurance, on June 27, 2008.

4. This Notice of Removal is timely pursuant to 28 U.S.C. § 1446(b) as it has been filed within thirty (30) days from receipt of the Complaint.

5. Defendant has not yet appeared in this matter nor otherwise responded to the complaint. No rulings have been made in this case.

6. This action is removable to this Court pursuant to 28 U.S.C. § 1441, as this Court has original jurisdiction based on diversity of the parties pursuant to 28 U.S.C. § 1332. The Plaintiff and Defendant in this action are completely diverse:

- a. Plaintiff Allstate states in paragraph 1 of its Complaint that it is a company organized under the laws of the State of Illinois, with its principal place of business in Northbrook, Illinois.
- b. Defendant Transatlantic is a company organized under the laws of the State of New York, with its principal place of business in New York.

7. The amount in controversy in this matter exceeds \$75,000, exclusive of interest and costs. In the Complaint, Plaintiff seeks monetary damages in the amount of \$313,821.35, which it alleges is owed under a reinsurance agreement. Plaintiff also seeks a determination that Defendant be required to pay its alleged share of any future reinsurance losses as those amounts become due, which Plaintiff further alleges will total \$4,000,000.

8. Plaintiff, in commencing this action in the Circuit Court of Cook County, Illinois,

asserted that venue was proper therein. As that court is embraced within the district and division of this Court, venue for this removed action is proper pursuant to 28 U.S.C. § 1441(a).

WHEREFORE, for the foregoing reasons, Defendant Transatlantic Reinsurance Company hereby removes this action to the United States District Court for the Northern District of Illinois, Eastern Division.

Dated: July 23, 2008

Respectfully submitted,

TRANSATLANTIC REINSURANCE COMPANY

By: Hope G. Nightingale  
Its attorney

Hope G. Nightingale (06184864)  
LITCHFIELD CAVO LLP  
303 W. Madison Street, Suite 300  
Chicago, IL 60606  
312-781-6614  
312-781-6630 (fax)  
Email: [nightingale@litchfieldcavo.com](mailto:nightingale@litchfieldcavo.com)

OF COUNSEL:

Carey G. Child, Esq.  
Stelio L. Tellis, Esq.  
Chadbourne & Parke, LLP  
1200 New Hampshire Avenue N.W.  
Washington, D.C. 20036  
202-974-5600 (phone)



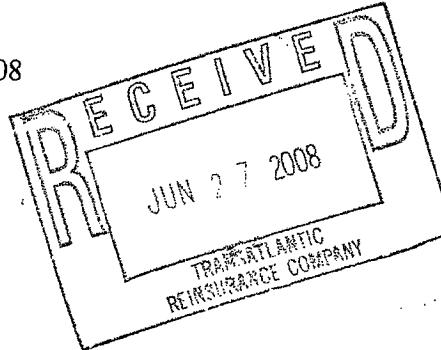
**Illinois Department of Financial and Professional Regulation**  
**Division of Insurance**

ROD R. BLAGOJEVICH  
Governor

DEAN MARTINEZ  
Secretary

MICHAEL T. MCRAITH  
Director  
Division of Insurance

June 24, 2008



Transatlantic Reinsurance Company  
80 Pine Street  
New York, NY 10005

Re: Case #08CH20186

Gentlemen:

Enclosed please find copy of Summons and Complaint for Declaratory Judgment and Other Relief received by me as your agent for service of process at 10:30 a.m. on June 23, 2008, in my Chicago office in the case of Allstate Insurance Company as successor in interest to Northbrook Excess and Surplus Insurance Company f/k/a Northbrook Insurance Company vs. your company, et al.

Sincerely,

Michael T. McRaith  
Director of Insurance

MTM:EMC:alt  
Enclosure

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

*Carrie Chivat*

320 W. Washington  
Springfield, Illinois 62767-0001  
www.idfpr.com

**EXHIBIT**

**A**

TASHER

2120 - Served  
 2220 - Not Served  
 2320 - Served By Mail  
 2420 - Served By Publication  
 SUMMONS

2121 - Served  
 2221 - Not Served  
 2321 - Served By Mail  
 2421 - Served By Publication  
 ALIAS - SUMMONS

CCG N001-10M-1-07-05 ( **RECEIVED**

STATE OF ILLINOIS

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY

DIVISION

JUN 23 2008

10:30 AM

DEPT. OF INSURANCE  
CHICAGO, ILLINOIS**08CH 20188**

(Name all parties)

Allstate Insurance Company as succ. in interest to Northbrook  
Excess and Surplus Insurance Co. f/k/a Northbrook Ins. Co.

v.

Transatlantic Reinsurance Company

SUMMONS

No. \_\_\_\_\_

PLEASE SERVE:

Transatlantic Reinsurance Company  
c/o Director of Insurance, State of Ill.  
100 W. Randolph, 15th Fl., Room 100  
Chicago, IL 60601

## To each Defendant:

YOU ARE SUMMONED and required to file an answer to the complaint in this case, a copy of which is hereto attached, or otherwise file your appearance, and pay the required fee, in the Office of the Clerk of this Court at the following location:

<input checked="" type="checkbox"/> Richard J. Daley Center, 50 W. Washington, Room 802	, Chicago, Illinois 60602	
<input type="checkbox"/> District 2 - Skokie 5600 Old Orchard Rd. Skokie, IL 60077	<input type="checkbox"/> District 3 - Rolling Meadows 2121 Euclid Rolling Meadows, IL 60008	<input type="checkbox"/> District 4 - Maywood 1500 Maybrook Ave. Maywood, IL 60153
<input type="checkbox"/> District 5 - Bridgeview 10220 S. 76th Ave. Bridgeview, IL 60455	<input type="checkbox"/> District 6 - Markham 16501 S. Kedzie Pkwy. Markham, IL 60426	<input type="checkbox"/> Child Support 28 North Clark St., Room 200 Chicago, Illinois 60602

You must file within 30 days after service of this Summons, not counting the day of service.

IF YOU FAIL TO DO SO, A JUDGMENT BY DEFAULT MAY BE ENTERED AGAINST YOU FOR THE RELIEF REQUESTED IN THE COMPLAINT.

## To the officer:

This Summons must be returned by the officer or other person to whom it was given for service, with endorsement of service and fees, if any, immediately after service. If service cannot be made, this Summons shall be returned so endorsed. This Summons may not be served later than 30 days after its date.

Atty. No.: 38815

WITNESS, JUN 05 2008

Name: Novak Law Offices

Atty. for: Plaintiff

Address: 33 N. LaSalle St., Suite 1900

City/State/Zip: Chicago, IL 60602

Telephone: (312) 425-2500

Service by Facsimile Transmission will be accepted at: \_\_\_\_\_

(Area Code) (Facsimile Telephone Number)

DOROTHY BROWN  
CLERK OF CIRCUIT COURT

Clerk of Court

Date of service: \_\_\_\_\_  
(To be inserted by officer on copy left with defendant  
or other person)

DOROTHY BROWN, CLERK OF THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION

RECEIVED  
STATE OF ILLINOIS

ALLSTATE INSURANCE COMPANY, as )  
successor in interest to NORTHBROOK EXCESS )  
AND SURPLUS INSURANCE COMPANY f/k/a )  
NORTHBROOK INSURANCE COMPANY, )  
Plaintiff, )  
v. )  
TRANSATLANTIC REINSURANCE COMPANY, )  
Defendant. )

No.

JUN 23 2008

10:30 AM

DEPT. OF INSURANCE  
CHICAGO, ILLINOIS

08CH 20188

**COMPLAINT FOR DECLARATORY JUDGMENT  
AND OTHER RELIEF**

Plaintiff, ALLSTATE INSURANCE COMPANY, as successor in interest to NORTHBROOK EXCESS AND SURPLUS INSURANCE COMPANY, formerly known as NORTHBROOK INSURANCE COMPANY (collectively "Allstate"), by its undersigned attorneys, as and for its Complaint alleges as follows:

1. Plaintiff Allstate is an insurance company organized under the laws of the State of Illinois, with its principal place of business in Northbrook, Illinois. Allstate is the successor in interest to Northbrook Excess and Surplus Insurance Company ("NESCO"), which was formerly Northbrook Insurance Company ("Northbrook"). Pursuant to a certificate of merger issued by the Illinois Department of Insurance and effective January 1, 1985, NESCO merged with Allstate, with Allstate assuming all the rights and obligations of NESCO and Northbrook.

2. Upon information and belief, Transatlantic Reinsurance Company ("Transatlantic") is a reinsurance company organized under the laws of the State of New York.

3. This case stems from Transatlantic's failure to discharge obligations owed to Allstate arising from a certain certificate of facultative reinsurance issued to NESCO by Transatlantic.

Allstate is asking the Court to issue a declaratory judgment pursuant to 735 ILCS §2-701, declaring Allstate's rights pursuant to the facultative certificate of reinsurance as set forth in more detail below.

4. Venue is proper in Cook County pursuant to 735 ILCS §§2-101 and 2-102(a).

5. Reinsurance is a type of insurance whereby an insurance company that has insured a risk obtains insurance for itself on that risk provided by another insurance company known as the reinsurer. An insurer which has obtained reinsurance is often referred to as a "cedent" since it "cedes" a portion of risk – and premium – to the reinsurer. In this case, Allstate is the "cedent" and Transatlantic is the "reinsurer."

6. This case involves a specific type of reinsurance, called facultative reinsurance, which is the reinsurance of a single insurance policy where the terms of reinsurance coverage are negotiated at the time of the underwriting of the insurance policy.

7. On or about April 20, 1982, Transatlantic issued Certificate No. C 82-67284 to NESCO ("the Certificate") which reinsures NESCO's Excess Umbrella Liability Policy No. 63 007 776 ("the Policy"). The Policy insures IC Industries of Chicago, Illinois for the Policy Period of April 1, 1982 through April 1, 1983 and provides limits of \$25 million each occurrence, and in the aggregate, excess underlying or self-insured retention. The Certificate provides reinsurance coverage to NESCO of \$4,000,000 part of \$15,000,000 excess of \$10,000,000. A copy of the Certificate is attached hereto as Exhibit A.

8. Endorsements 1 through 4 attached to Exhibit A were added to the Certificate at or around the dates identified thereon. Allstate has no knowledge relating to the issuance of Endorsement 5 except that said Endorsement appears to have been issued on or around May 4, 1983, after expiration of the Policy, but not delivered to Allstate until June 4, 2004. Allstate denies that Endorsement 5 is effective and forms part of the Certificate reinsuring Allstate but includes it here for the sake of completeness.

9. In May 2001, Allstate entered into a Coverage-in-Place Agreement ("the CIP") with Pneumo Abex Corporation ("Abex"). Abex includes Abex Corporation which was an additional insured under the Policy issued by NESCO to IC Industries.

10. The CIP provides a claims handling protocol for the management and payment of third party claims against Abex/IC Industries involving alleged bodily injury from exposure to asbestos and/or products containing asbestos allegedly manufactured, sold, handled or distributed by Abex. The CIP preserves the rights, claims, defenses and coverage positions under various insurance policies, including the Policy reinsured by the Certificate at issue here.

11. The Certificate contains, *inter alia*, the following loss settlement provisions in

**Section 3, Claims:**

\* \* \*

- (c) Upon receipt by Reinsurer of satisfactory evidence of payment of a loss for which reinsurance is provided hereunder, Reinsurer shall promptly reimburse the Company for its share of the loss and loss expense, subject to paragraph 4 of these General Conditions.
- (d) The term "loss" shall mean only such amounts as are actually paid by the Company in settlement of claims or in satisfaction of awards or judgments. The term "loss" shall not include loss expense.
- (e) Reinsurer's liability for its proportion of a "loss" incurred by the Company shall be determined as follows: (i) if the reinsurance provided hereunder is on an excess of loss basis Reinsurer shall be liable for its excess proportion of a "loss" after application of the Company's retention and any reinsurance excess or pro rata, incurring [sic] to the benefit of Reinsurer; (ii) if the reinsurance provided hereunder is on a pro rata basis, Reinsurer shall be liable for its proportion of a "loss", after application of any reinsurance, excess or pro rata, incurring [sic] to the benefit of the Reinsurer.
- (f) The term "loss expense" shall mean all expenses incurred in the investigation, adjustment, settlement or litigation of claims, awards, or judgments, including the salaries and expenses of the Company's staff adjusters but excluding the office expenses of the Company and the salaries and expenses of all other employees of the Company.

(g) Reinsurer's liability for its proportion of "loss expense" incurred by the Company shall be determined as follows: (i) if the reinsurance provided hereunder is on an excess of loss basis, Reinsurer's proportion of the "loss expense" shall be in the same ratio as its share of the "loss" bears to the total amount of such "loss"; (ii) if the reinsurance provided hereunder is on a pro rata basis, Reinsurer's proportion of the "loss expense" shall be in the same ratio as Reinsurer's limit of liability bears to the Company's gross limit of liability under the policy reinsured.

12. On or about March 26, 2008, Allstate submitted a statement to Transatlantic, with proofs of loss, setting forth two claims, one in the amount of \$360,000.18 (Claim No. 00077760026) and the other in the amount of \$313,821.35 (Claim No. 0007760051). Allstate's claim for \$313,821.35 represents Transatlantic's proportionate share of the loss paid by Allstate to IC Industries under the Policy which in turn is covered by the Certificate. A copy of the statement with proofs of loss is attached hereto as Exhibit B.

13. To date, Transatlantic has paid the claim amount of \$360,000.18 but has refused to pay Allstate the remaining claim amount of \$313,821.35 or any part thereof. Transatlantic has no legitimate or good faith reason to support its non-payment of the claim.

14. Allstate anticipates that, over time, the CIP identified above will fully exhaust the Policy limits and, therefore, likewise will fully exhaust the reinsurance limits of \$4 million. Therefore, Allstate has suffered, and will continue to suffer, loss if Transatlantic continues to avoid honoring its current and future reinsurance obligations owed to Allstate under the Certificate.

15. By reason of the allegations set forth above, a real, immediate and justiciable controversy exists between Allstate and Transatlantic and will continue to exist between the parties until such a time as it is resolved by this Court.

16. Allstate seeks a declaration of the rights and obligations of the parties to the Certificate, and further seeks a determination that Transatlantic (i) pay its proportionate shares of loss and expense as billed and (ii) be required to pay any future loss and expense as said amounts become due and payment is requested by Allstate pursuant to the Certificate.

17. Allstate has fully performed and satisfied all its obligations under the Certificate including all conditions precedent.

WHEREFORE, Allstate respectfully requests that the Court grant the following relief:

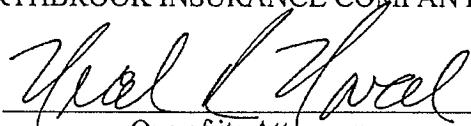
A. Declare the rights and obligations of the parties under the Certificate and order Defendant Transatlantic to pay its proportionate share of loss and expense now and in the future in accordance with its contractual obligations therein;

B. Award and grant Allstate its attorneys' fees, costs and pre-judgment interest at the statutory rate on amounts currently due and owing and on any amounts that become due and owing during the pendency of these proceedings;

C. Award and grant such other and further general and equitable relief as the Court deems just and appropriate under the circumstances.

Respectfully submitted,

ALLSTATE INSURANCE COMPANY, as successor  
in interest to NORTHBROOK EXCESS AND  
SURPLUS INSURANCE COMPANY f/k/a  
NORTHBROOK INSURANCE COMPANY

By:   
Neal R. Novak  
One of its Attorneys

NOVAK LAW OFFICES  
Neal R. Novak, Esq.  
Matthew R. Wildermuth, Esq.  
33 North LaSalle Street, Suite 1900  
Chicago, Illinois 60602  
Phone: (312) 425-2500  
Facsimile: (312) 425-2525  
Firm I.D. No. 38815

## Transatlantic Reinsurance Company

99 John Street, New York, New York 10038  
212/770-7000

Certificate Number  
**C 82-67284**

## Ceding Co. and Address

NORTHBROOK EXCESS & SURPLUS CO.  
NOVA

CHICAGO, IL  
ATTN: ANNUE LUNSFORD

Return Date

Company Policy No.	63 007 76
Reinsurer's Reference	C81-66666
Replacement Policy	ND
Cover Note No.	
Co. Policy No.	4-1-82/4-83

## DECLARATIONS

Insured	I. C. INDUSTRIES
Location	CHICAGO, ILLINOIS
Reinsurance Effective	4-1-82

Expiration 4-1-83

Term 1 YEAR

## ITEM 1 - TYPE OF INSURANCE

EXCESS UMBRELLA LIABILITY

## ITEM 2 - POLICY LIMITS AND APPLICATION

\$25,000,000 EACH OCCURRENCE & IN THE AGGREGATE, EXCESS UNDERLYING OR SELF INSURED RETENTION

ITEM 3 - COMPANY RETENTION A) \$250,000 PART OF \$2,500,000 EXCESS UNDERLYING (B) \$1,250,000 PART OF \$2,500,000 EXCESS \$2,500,000 (C) \$2,500,000 PART OF \$5,000,000 EXCESS \$5,000,000 (D) \$3,750,000 PART OF \$15,000,000 EXCESS \$10,000,000

## ITEM 4 - REINSURANCE ACCEPTED ALL IN THIS LAYER

NIL THIS LAYER

NIL THIS LAYER

\$4,000,000 PART OF \$15,000,000 EXCESS \$10,000,000

## ITEM 5 - BASIS OF REINSURANCE

EXCESS OF LOSS  CONTRIBUTING EXCESS  MORE CONCURRENT

## ITEM 6 - CANCELLATION

75 DAYS NOTICE

Fixed  Deposit

Cad Comm.  
Bkgd Comm.  
10.0%

## Premium This Certificate

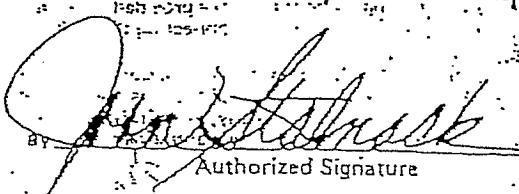
\$16,720

PREMIUM DUE AT INCEPTION	FUTURE INSTALLMENTS		BASIS OF ADJUSTMENTS
	DATE	AMOUNT	
\$16,720			FLAT

Minimum Premium For Certificate \$ 16,720

Certificate of Casualty Facultative Reinsurance

Transatlantic Reinsurance Company

  
Authorized Signature

Date 4-20-82/AS

28096 (12/79)

THE REINSURER ASSUMES ALL THE CREDIT RISKS OF THE INTERMEDIARY, NAMED HEREIN, RELATED TO PAYMENTS TO THE INTERMEDIARY UNDER THIS CERTIFICATE.

**THE REINSURER'S LIABILITY.**

Reinsurer's liability under this Facility Reinsurance Certificate ("Certificate") shall follow the Company's ("Company") liability in accordance with the terms and conditions of the policy reinsured hereunder except with respect to those terms and/or conditions as may be inconsistent with the terms of this Certificate. It shall be the duty of the Company to notify Reinsurer, promptly, of any changes in the policy reinsured hereunder. Notwithstanding the foregoing, Reinsurer and the Company hereby agree that the reinsurance hereunder is subject to the: (a) Standard War Exclusion Clause or Clauses (b) Nuclear Exclusion Clause-Physical Damage-Reinsurance and (c) Nuclear Exclusion Clause-Liability-Reinsurance.

**2. RETENTION.**

The Company warrants that it shall retain for its own account, subject to treaty reinsurance only, if any, the amount specified on the face of this Certificate.

**3. CLAIMS.**

- (a) The Company agrees that it will promptly investigate and will settle or defend all claims under the policy reinsured hereunder and that it will notify Reinsurer promptly of any event or development which the Company reasonably believes might result in a claim against Reinsurer. The Company further agrees to forward to Reinsurer copies of such pleadings and reports of investigations as are pertinent to the claim and/or as may be requested by Reinsurer.
- (b) Reinsurer shall have the right at its own expense to be associated with the Company in the defense or control of any claim, suit, or proceeding involving or which may involve the reinsurance provided under this Certificate and the Company and Reinsurer agree to cooperate in every respect in the defense and control of each such claim, suit or proceeding.
- (c) Upon receipt by Reinsurer of satisfactory evidence of payment of a loss for which reinsurance is provided hereunder, Reinsurer shall promptly reimburse the Company for its share of the loss and loss expense, subject to paragraph 4 of these General Conditions.
- (d) The term "loss" shall mean only such amounts as are actually paid by the Company in settlement of claims or in satisfaction of awards or judgements. The term "loss" shall not include loss expense.
- (e) Reinsurer's liability for its proportion of a "loss" incurred by the Company shall be determined as follows: (i) if the reinsurance provided hereunder is on an excess of loss basis Reinsurer shall be liable for its excess proportion of a "loss" after application of the Company's retention and any reinsurance excess or pro rata, inuring to the benefit of Reinsurer; (ii) if the reinsurance provided hereunder is on a pro rata basis, Reinsurer shall be liable for its proportion of a "loss", after application of any reinsurance, excess or pro rata, inuring to the benefit of Reinsurer.
- (f) The term "loss expense" shall mean all expenses incurred in the investigation, adjustment, settlement or litigation of claims, awards or judgments, including the salaries and expenses of the Company's staff adjusters but excluding the office expenses of the Company and the salaries and expenses of all other employees of the Company.
- (g) Reinsurer's liability for its proportion of "loss expense" incurred by the Company shall be determined as follows: (i) if the reinsurance provided hereunder is on an excess of loss basis, Reinsurer's proportion of the "loss expense" shall be in the same ratio as its share of the "loss" bears to the total amount of such "loss"; (ii) if the reinsurance provided hereunder is on a pro rata basis, Reinsurer's proportion of the "loss expense" shall be in the same ratio as Reinsurer's limit of liability bears to the Company's gross limit of liability under the policy reinsured.
- (h) The Company shall pay or credit Reinsurer with its proportion of salvages (i.e., recoveries or reimbursements made or obtained by the Company), after deducting the cost of obtaining such salvage. The cost of obtaining salvage shall include salaries and expenses of the Company's staff adjusters but shall exclude the office expenses or salaries and expenses of all other employees of the Company. If the insurance provided hereunder is on an excess of loss basis, salvage shall be applied in the inverse order in which liability attached; otherwise salvage shall be applied proportionately.

**4. INSPECTION.**

At the request of Reinsurer, the Company shall place at its disposal and Reinsurer shall have the right at all reasonable times in the office of the Company, or elsewhere if mutually agreed, to inspect all books, records and papers of the Company in any way pertaining to the reinsurance provided hereunder, including but not limited to claims in connection therewith.

**5. INSOLVENCY.**

In the event of the insolvency of the Company the reinsurance liability provided by this Certificate shall be payable by Reinsurer directly to the Company, or to its liquidator, receiver or statutory successor on the basis of the liability of the Company

such insolvency. It is understood, however, that Reinsurer shall be given written notice of the pendency of each loss or claim against the Company, indicating the policy reinsured, which may involve the reinsurance liability provided by this Certificate within a reasonable time after such loss or claim is filed in the insolvency proceeding. During the pendency of such loss or claim, Reinsurer shall have the right to investigate each such loss or claim and interpose, at its own expense, in the proceeding, where the loss or claim is to be adjudicated, any defense which it may deem available to the Company or its liquidator, receiver or statutory successor. The expense thus incurred by Reinsurer shall be chargeable, subject to court approval, against the insolvent Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to the Company solely as a result of the defense undertaken by Reinsurer.

**6. TAXES.**

The Company shall be liable for taxes on premiums ceded to Reinsurer under this Certificate.

**7. OFFSET.**

Reinsurer and the Company shall have the right to offset any balance or balances, whether on account of premiums or losses otherwise, due from either party to the other party under this Certificate or under any other reinsurance certificate or agreement heretofore or hereafter entered into by and between them, and may offset the same against any balance or balances due or to become due to the former from the latter under the same or any other reinsurance certificate or agreement between them. The party asserting the right of offset shall have and may exercise such right whether the balance or balances due or to become due to such party from the other are on account of premiums or on account of losses or otherwise and regardless of the capacity, whether as assuming reinsurer or as ceding insurer, in which each party acted under the certificate or agreement, or if more than one, the different certificate and agreements involved, provided, however, that in the event of insolvency of either party hereto, offsets shall only be allowed in accordance with the provisions of the New York State Insurance Law, Sec. 538.

**8. PRIOR ACCEPTANCE.**

If the reinsurance provided hereunder attaches prior to the date of acceptance of Reinsurer, the Company warrants that there are no known reported claims or losses which might be recoverable under the Certificate as of the date this reinsurance is accepted.

**9. CANCELLATION.**

- (a) Should the Company's policy be cancelled, this certificate shall terminate simultaneously. This certificate may also be cancelled by the Company or by the Reinsurer upon not less than thirty days prior written notice, one to the other, stating when thereafter the reinsurance afforded hereby shall terminate. Proof of mailing shall be deemed proof of notice and calculation of the earned premium shall follow the Company's calculation in the use of short rate or pro rata tables.
- (b) In the event of non-payment of premium this certificate may be cancelled by the Reinsurer by giving not less than ten days prior written notice stating when thereafter the reinsurance afforded hereby shall terminate. Proof of mailing shall be deemed proof of notice.

**10. DEFINITIONS.**

As used in this certificate the following terms shall have the meaning set opposite each.

**Excess of Loss**—The limit(s) of liability of the Reinsurer, as stated in Item 4 of the Declarations, applies(y) only to that portion of loss settlement(s), in excess of the applicable retention of the Company as stated in Item 3 of the Declarations.

**Contributing Excess**—The Company's policy applies in excess of other valid insurance, reinsurance or a self-insured retention and the limit of liability of the Reinsurer applies proportionally to all loss settlements in the percentage(s) set forth in Item 4 of the Declarations.

**Non-Concurrent**—The reinsurance provided does not apply to any hazards or risks of loss or damage covered under the Company's policy other than those specifically set forth in the Declarations. The retention of the Company and liability of the Reinsurer shall be determined as though the Company's policy applied only to the hazards or risks of loss or damage specifically described in the Declarations.

**11. MISCELLANEOUS.**

The terms of this Certificate shall not be waived, amended or in any way modified unless such waiver, amendment or modification is contained in an endorsement to this Certificate, executed by a duly authorized representative of Reinsurer. Assignment of this Certificate shall not be valid except with the written consent of Reinsurer.

In Witness Whereof, Reinsurer has caused this Certificate to be executed and attested and it shall become valid and binding when signed by a duly authorized representative.

ATTEST:

President

**C. SEALTY ENDORSEMENT**  
**TRANSATLANTIC REINSURANCE COMPANY**

This endorsement is to acknowledge changes as outlined by Ceding Company NORTH BROOK EXCESS &  
SURPLUS INS CO with reference to I. O. INDUSTRIES

Alva Reins

CHGO.

Ms. ANNE LUNSFORD

Certificate # C 82167284  
 Ceding Co. Pol. # 163 607 776  
 Ceding Co. End. # N-A  
 TRC End. # \_\_\_\_\_  
 TRC Percentage as per rec'd  
 Eff. Date 4-1-82

- Item 1 — Type of Insurance
- Item 3 — Company Retention
- Item 5 — Basis of Reinsurance
- Item 7 — Premium This Certificate
- Item 9 — Basis of Adjustments
- Other

- Item 2 — Policy Limits and Applications
- Item 4 — Reinsurance Accepted
- Item 6 — Cancellation/Days Notice
- Item 8 — Ceding Commission/Brokerage Commission
- Minimum Premium For Certificate

**Item 3 Company Retention**

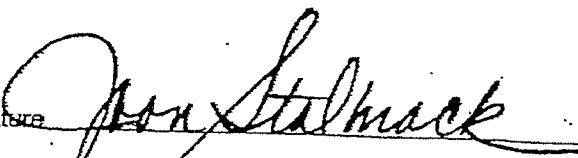
- A) \* \$250,000 P/L \* \$2,500,000 xs 4/1/
- B) \* \$1,250,000 P/L \* \$2,500,000 xs \* \$2,500,000
- C) \* \$1,700,000 P/L \* \$5,000,000 xs \* \$5,000,000
- D) \* \$2,750,000 P/L \* \$15,000,000 xs \* \$10,000,000

- Additional Premium Due \$
- Future Installments Unchanged
- \* Due Date Present Installment

<input type="checkbox"/> Increase	<input type="checkbox"/> Decrease	<input type="checkbox"/> Revised Installment
		<input type="checkbox"/> Return Premium Due \$
		<input type="checkbox"/> Future Installments Revised*

Date Prepared: 5-24-82  
 30297 (4/8)

Authorized Signature



**C QUALTY ENDORSEMENT**  
**TRANSATLANTIC REINSURANCE COMPANY**

This endorsement is to acknowledge changes as outlined by Ceding Company NORTHBOCK EXCESS & SURPLUS  
 with reference to I. C. INDUSTRIES

[Nova Reinsurance Books]

Attn. Anne Lanford

Certificate # C82 67284  
 Ceding Co. Pol. # 43 007 776  
 Ceding Co. End. # N. A.  
 TRC End. # 2  
 TRC Percentage as per certificate  
 Eff. Date 4-1-82

Item 1 — Type of Insurance  
 Item 3 — Company Retention  
 Item 5 — Basis of Reinsurance  
 Item 7 — Premium This Certificate  
 Item 9 — Basis of Adjustments  
 Other

Item 2 — Policy Limits and Applications  
 Item 4 — Reinsurance Accepted  
 Item 6 — Cancellation/Days Notice  
 Item 8 — Ceding Commission/Brokerage Commission  
 Minimum Premium For Certificate

Item 1      Type of Insurance —

Excess Umbrella Liability  
Excluding Asbestos

Additional Premium Due \$  
 Future Installments Unchanged  
 \*Due Date                  Present Installment

<input type="checkbox"/> Return Premium Due \$	<input type="checkbox"/> Future Installments Revised*	
Increase	Decrease	Revised Installment

Date Prepared:

5-14-82

Authorized Signature

Jon Stalnack

**C SUALTY ENDORSEMENT****TRANSATLANTIC REINSURANCE COMPANY**

This endorsement is to acknowledge changes as outlined by Ceding Company Northbrook Excess  
+ Surplus Co with reference to I. C. Industries

DovaChgo. IllAttn: Anne Lansford

Certificate # C82 - 67284  
 Ceding Co. Pol. # 63-007-776  
 Ceding Co. End. # 2/1A  
 TRC End. # 3  
 TRC Percentage as per cent  
 Eff. Date 4-1-81

- Item 1 — Type of Insurance
- Item 3 — Company Retention
- Item 5 — Basis of Reinsurance
- Item 7 — Premium This Certificate
- Item 9 — Basis of Adjustments
- Other

- Item 2 — Policy Limits and Applications
- Item 4 — Reinsurance Accepted
- Item 6 — Cancellation/Days Notice
- Item 8 — Ceding Commission/Brokerage Commission
- Minimum Premium For Certificate

Company policy period - Amended to read:

4-1-81 to 4-1-84

<input type="checkbox"/> Additional Premium Due \$	<input type="checkbox"/> Return Premium Due \$
<input type="checkbox"/> Future Installments Unchanged	<input type="checkbox"/> Future Installments Revised*
*Due Date	Present Installment

Increase	Decrease	Revised Installment
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Date Prepared: 5-17-82

Authorized Signature

John Stachak

**CAPITALY ENDORSEMENT**

TRANSATLANTIC REINSURANCE COMPANY

This endorsement is to acknowledge changes as outlined by Ceding Company

Suffolk Ins. Company with reference to I.C. INDUSTRIESMS Anne (Insured)New YorkCHARTER

Certificate # C82 67284  
 Ceding Co. Pol. # 63 007 72  
 Ceding Co. End. # P-8  
 TRC End. # 4  
 TRC Percentage AS PER CHART  
 Eff. Date 7-1-82

- Item 1 — Type of Insurance
- Item 3 — Company Retention
- Item 5 — Basis of Reinsurance
- Item 7 — Premium This Certificate
- Item 9 — Basis of Adjustments
- Other

- Item 2 — Policy Limits and Applications
- Item 4 — Reinsurance Accepted
- Item 6 — Cancellation/Days Notice
- Item 8 — Ceding Commission/Brokerage Commission
- Minimum Premium For Certificate

Policy Reissued

- Additional Premium Due \$
- Future Installments Unchanged

\*Due Date              Present Installment

- Return Premium Due \$
- Future Installments Revised\*

Increase	Decrease	Revised Installment
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Date Prepared:

7-16-82

Authorized Signature

**SUALTY ENDORSEMENT**  
**TRANSATLANTIC REINSURANCE COMPANY**

This endorsement is to acknowledge changes as outlined by Ceding Company NORTHROP INC E&SS  
A&D Surplus Lines with reference to IC INDUSTRIES (212)

Ms CACIE LORENZ

Nova Reins

Certificate # C82 67284

Ceding Co. Pol. # 63 007 776

Ceding Co. End. # N-A

TRC End. # 5

TRC Percentage AS PER ESIT

Eff. Date 4-1-82

- Item 1 — Type of Insurance
- Item 3 — Company Retention
- Item 5 — Basis of Reinsurance
- Item 7 — Premium This Certificate
- Item 9 — Basis of Adjustments
- Other

- Item 2 — Policy Limits and Applications
- Item 4 — Reinsurance Accepted
- Item 6 — Cancellation/Days Notice
- Item 8 — Ceding Commission/Brokerage Commission
- Minimum Premium For Certificate

NOTWITHSTANDING END. #15 ATTACHED TO THE  
 COMPANY POLICY COVERAGE PROVIDED HEREIN SHALL  
 EXCLUDE ANY COVERAGE INCLUDING ASBESTOSIS.

**ATTACH**

INITIALS \_\_\_\_\_

DATE \_\_\_\_\_

<input type="checkbox"/> Additional Premium Due \$	<input type="checkbox"/> Return Premium Due \$
<input type="checkbox"/> Future Installments Unchanged	<input type="checkbox"/> Future Installments Revised*
* Due Date	Present Installment

Increase	Decrease	Revised Installment
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Date Prepared: 5-4-83

Authorized Signature





North Brook Excess and Surplus Insurance Company  
3 Allstate Commercial Plaza  
51 West Higgins Road  
South Barrington, Illinois 60010  
(312) 551-2000 Telex: 28-3513, 25-3177

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ENDORSEMENT

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NAME OF INSURED: IC Industries, Inc.

POLICY NO.: 63-007-776  
ENDORSEMENT NO.: 15

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IT IS AGREED THAT IN THE EVENT OF LOSS FOR WHICH THE INSURED HAS COVERAGE UNDER THE UNDERLYING INSURANCE AS SET OUT IN THE DECLARATIONS, THE EXCESS OF WHICH WOULD BE RECOVERABLE HEREUNDER EXCEPT FOR TERMS AND CONDITIONS OF THIS POLICY WHICH ARE NOT CONSISTENT WITH THE UNDERLYING, THEN NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THIS POLICY SHALL BE AMENDED TO FOLLOW THE TERMS AND CONDITIONS OF THE APPLICABLE UNDERLYING INSURANCE IN RESPECT OF SUCH LOSS. THE FOREGOING SHALL NOT, HOWEVER, APPLY TO THE NUCLEAR ENERGY HAZARD.

IT IS FURTHER UNDERSTOOD AND AGREED THAT COVERAGE PROVIDED BY THE UNDERLYING COMPREHENSIVE GENERAL LIABILITY POLICY WITH THE NATIONAL UNION FIRE INS. CO. WILL NOT BE FURTHER EXTENDED WITHOUT OBTAINING AGREEMENT FROM UNDERWRITERS HEREON.

ACKNOWLEDGED

TRANSATLANTIC REINSURANCE COMPANY

CERTIFICATE # C82 67284

TRANSATLANTIC REINSURANCE COMPANY

DATE: 9/9/83 BY: Ronald L. Johnston

Notwithstanding the terms of this endorsement, our reinsurance excludes asbestos claims per Endorsements 2 and 5.

Ronald L. Johnston

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This endorsement to take effect on the 1st day of April, 1982. All other terms and conditions remain unchanged.

sk

Countersignature Date: May 27, 1983

Ronald L. Johnston  
Authorized Representative

RU7-1

RG1-5



Susan Porter, SCLA  
 Collection Account Specialist  
 Specialty Operations Division - T2A  
 Sporter1@allstate.com

March 26, 2008

Mr. Ken Regan  
 Transatlantic Reinsurance  
 80 Pine Street, 7<sup>th</sup> Floor  
 New York, NY 10005

RE: Northbrook Excess and Surplus Insurance Company  
 Facultative Reinsurance

REINSURER: Transatlantic Reinsurance – post 1/1/1978  
 Fac. Cert no.: 199666

Dear Mr. Regan:

Enclosed are Northbrook's proofs of loss in connection with IC Industries.

SESSION NO.	INSURED	CLAIM NUMBER	DATE OF LOSS	PROOF DATE	AMOUNT DUE	TRANSACTION
204128	IC Industries	00077760026	4/1/82	3/25/08	\$360,000.18	Paid loss and expense. Refer to report dated 2/28/08.
207128	IC Industries	00077760051	4/1/82	3/25/08	\$313,821.35	Paid loss and expense. Refer to report dated 2/28/08.

Also enclosed is a copy of the aggregate impairment chart.

Amount due Allstate \$673,821.53. Please issue payment

CHECKS – Payable to Allstate Insurance Company  
 U.S. and Foreign checks (excluding Canadian Reportable) should be sent to the following address:

Allstate Insurance Company  
 Specialty Operations  
 51 West Higgins Road – SODT2C  
 South Barrington, IL 60010

WIRE TRANSFERS should be sent to:

Bank Account Name: Allstate Insurance Company - NESCO ARC Depository (Hudson)  
 Bank Account Number: 730129921  
 ABA for federal wires: 021000021  
 ABA for ACH & checks: 044000037  
 Full Bank Name: JP Morgan Chase Bank, NA  
 Full Bank Address: New York, NY

If being sent from a foreign account, the Swift Code: CHASUS33 (instead of the ABA #).

Sincerely,

Susan Porter

IC INDUSTRIES  
POLICY 007776  
1982 YEAR AGGREGATE

AS OF PROOF DATED: 3/25/2008						
Insured:	IC Industries					
Policy No.:	63 007776					
Policy Period:	4/1/1982 to 4/1/1983					
Policy Limits:	\$25,000,000					
Line Code: 1704 = Liability - Products/Completed Operations Line Code: 1735 = Liability - Environmental / Asbestos Liability Products/Completed Operations						
Claim Number	Date of Loss	Description	Line Code	Paid Loss	Allocated Expense	Allocated Loss
JO7776-0005	10/2/1982	Muffler caused car fire	1704	725,124.00	1,804.40	0.00
JO7776-0051	4/1/1982	Asbestos Bl	1735	7,603,669.50	2,846,230.27	8,825,815.00
JO7776-0053	4/1/1982	Asbestos Bl	1735	0.00	0.00	0.00
Policy Gross						
				\$8,328,793.50	\$2,848,034.67	\$8,825,815.00
					\$3,054,831.00	\$3,054,831.00
					22,330,595.77	Closed
					0.00	Open
FACULTATIVE LAYER CESSATION						
1ST LAYER	200128	LAYER LIMIT				
2ND LAYER	202128	0 - 2,500,000				
3RD LAYER	204128	2.5M XS 2.5M				
4TH LAYER	207128	5M XS 5M				
		15M XS 10M				
PAIDS RESERVES						
Total Paid Loss	8,328,793.50	Total Loss Res	8,825,815.00	TOTAL		
Total Paid Exp	2,848,034.67	Total Exp Res	3,054,881.00		17,154,608.50	
Total Paid	11,176,828.17	Total Reserve	11,880,696.00		5,902,915.67	
CEDED CEDED						
1st Layer	2,500,000.00	1st Layer	0.00		2,500,000.00	
2nd Layer	2,500,000.00	2nd Layer	0.00		2,500,000.00	
3rd Layer	5,000,000.00	3rd Layer	0.00		5,000,000.00	
4th Layer	1,176,828.17	4th Layer	11,880,696.00		13,057,524.17	
	11,176,828.17		11,880,696.00		23,057,524.17	



DATE: 03/25/2008

## NOTICE/PROOF OF LOSS

PAGE: 1  
 PREV CONTROL NO: 08085PAANW  
 CONTROL NO: 08080PAB4W

TO:  
 TRANSATLANTIC REINSURANCE COMP  
 99 JOHN STREET  
 NEW YORK NY 10038

FROM:  
 ALLSTATE  
 SPECIALTY OPERATIONS DIVISION  
 SOUTH BARRINGTON IL 60010

TREATY/FAC NO: T5648 TRTY/FAC OLD: 207128 TERM: 04/01/1982 - 03/31/1983  
 DESCRIPTION: FORMERLY A NOVA RETNS. PLACEMENT  
 LIMITS: 15,000,000 XS 10,000,000

INSURANCE CO: NESCO - DIVISION OF ALLSTATE CLAIM NO: 00077760051  
 INSURED: I C INDUSTRIES INC STATUS: OPEN  
 POLICY NO: 0000007776 YOUR REF NO: \_\_\_\_\_  
 POLICY TERM: 04/01/1982 - 04/01/1983  
 POL. LIMITS: 25 MLN XS U/L

LOSS DATE: 04/01/1982  
 LOSS LOCN: ASBESTOS B.I.

CURRENT TRANSACTION(S):	GROSS	CEDED	CEDED TO YOUR COMPANY
LOSS RESERVE CHANGE	1,097,207.00-	896,052.75-	292,589.00-
EXPENSE RESERVE CHANGE	252,793.00-	65,023.98-	21,232.34-
EXPENSE I.A. RESERVE CHANGE	.00	.00	.00
TOTAL RESERVE CHANGE	1,350,000.00-	961,076.73-	313,821.34-
PAID LOSS	1,097,206.84	754,628.90	246,409.73
PAID EXPENSE	252,793.16	206,447.83	67,411.62
PAID I.A. EXPENSE	.00	.00	.00
RECOVERIES	.00	.00	.00
TOTAL PAID	1,350,000.00	961,076.73	313,821.35
AMOUNT DUE THIS PROOF			313,821.35

INCEPTION TO DATE:	GROSS	CEDED	CEDED TO YOUR COMPANY
LOSS RESERVE	8,825,815.00	7,207,751.86	2,353,554.43
EXPENSE RESERVE	3,054,881.00	2,494,820.50	814,636.25
EXPENSE I.A. RESERVE	.00	.00	.00
TOTAL RESERVES	11,880,696.00	9,702,572.36	3,168,190.68
PAID LOSS	7,603,669.50	754,628.90	246,409.73
PAID EXPENSE	2,846,230.27	206,447.83	67,411.62
PAID I.A. EXPENSE	.00	.00	.00
RECOVERIES	.00	.00	.00
TOTAL PAID	10,449,899.77	961,076.73	313,821.35

CLAIMANT LIST:  
 SUFFIX CLAIMANT NAME  
 001 INJ/SEV DESC  
 LOSS PAYMENT

PLEASE FORWARD REMITTANCE AND  
 COPY OF PROOF OF LOSS TO:  
 ALLSTATE INSURANCE COMPANY  
 SPECIALTY OPERATIONS  
 51 WEST HIGGINS ROAD - SUITE 2C  
 SOUTH BARRINGTON IL 60010

ENCLOSURE ( )

DATE: 03/25/2008

## REINSURANCE UPDATE REMARKS



TO:  
 TRANSATLANTIC REINSURANCE COMP  
 99 JOHN STREET  
 NEW YORK NY 10038

FROM:  
 ALLSTATE  
 SPECIALTY OPERATIONS DIVISION  
 SOUTH BARRINGTON IL 60010

TREATY/FAC NO: T5648 TRTY/FAC/OLD: 207128 TERM: 04/01/1982 - 03/31/1983  
 DESCRIPTION: FORMERLY A NOVA REINS PLACEMENT  
 LIMITS: 15,000,000 XS 10,000,000

INSURANCE CO: NESCO - DIVISION OF ALLSTATE  
 INSURED: I C INDUSTRIES INC  
 POLICY NO: 0000007776  
 POLICY TERM: 04/01/1982 - 04/01/1983  
 POL. LIMITS: 25 MLN XS U/L

CLAIM NO: 00077760051  
 STATUS: OPEN  
 YOUR REF NO:

LOSS DATE: 04/01/1982  
 LOSS LOCN:  
 LOSS DESC: ASBESTOS B.I.

03/21/2008 TC-11 -1,097,207.00 LOSS RESERVE UPDATE  
 03/21/2008 TC-14 1,097,206.84 PAID LOSS UPDATE  
 03/21/2008 TC-12 -252,793.00 EXPENSE RESERVE UPDATE  
 03/21/2008 TC-15 252,793.16 PAID EXPENSE UPDATE

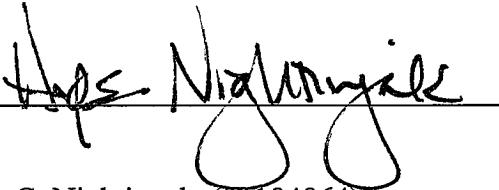
PLEASE SEE ATTACHED STATUS REPORT DATED 2-28-2008.

**CERTIFICATE OF SERVICE**

I, Hope G. Nightingale, an attorney, certify that I caused a copy of the above and foregoing to be served upon counsel for Allstate Insurance Company, as follows:

Neal Novak  
Novak Law Offices  
33 N. LaSalle Street, Suite 1900  
Chicago, IL 60602

via certified mail return receipt requested and by depositing a copy of said materials, proper postage prepaid, in a United States mail box located at 303 West Madison Street, Chicago, Illinois prior to 5:00 p.m. on July 23, 2008.

By: 

Hope G. Nightingale (06184864)  
LITCHFIELD CAVO LLP  
303 W. Madison Street, Suite 300  
Chicago, IL 60606  
312-781-6614  
312-781-6630 (fax)  
Email: [nightingale@litchfieldcavo.com](mailto:nightingale@litchfieldcavo.com)